

Message Text

CONFIDENTIAL

PAGE 01 QUITO 02104 011758Z
ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 AID-05 EB-08 TRSE-00 SS-15
STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
INRE-00 NSCE-00 SSO-00 USIE-00 PA-01 /078 W
-----078506 011800Z /70

O R 011725Z APR 78
FM AMEMBASSY QUITO
TO SECSTATE WASHDC IMMEDIATE 7803
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2104

E.O. 11652: GDS
TAGS: EAID, EC
SUBJECT: GOE APPLICATION FOR IDB FSO LOAN FOR RURAL
TELEPHONE DEVELOPMENT

REF: (A) 77 QUITO 4480; (B) 77 QUITO 7421; (C) SCONE/UPTOWN
TELCON, 31 MARCH 78

1. SUMMARY: IN MEETING OF 31 MARCH, FOREIGN MINISTER EMPHASIZED
TO CHARGE GOE DISPLEASURE WITH USG NEGATIVE POSITION ON
SUBJECT LOAN APPLICATION, AND STATED THAT SUCH OPPOSITION IS
CONTRARY TO THE AGREEMENT REACHED BY THE PRESIDENT AND
PRESIDENT POVEDA IN THEIR BILATERAL. MISSION RECOMMENDS A
"YES" VOTE BY THE USG ON THIS LOAN APPLICATION. END SUMMARY.

2. FOREIGN MINISTER JOSE AYALA SUMMONED CHARGE TO HIS OFFICE
ON THE NIGHT OF FRIDAY, MARCH 31 TO PROTEST OPPOSITION OF THE
USG REPRESENTATIVE TO THE IDB TO A LOAN APPLICATION BY IETEL
(ECUADOREAN INSTITUTE FOR TELECOMMUNICATIONS) FOR RURAL
TELEPHONE DEVELOPMENT (REF LOAN PROPOSAL EC-0080). THE
FOREIGN MINISTER SAID THE OPPOSITION BY THE USG WAS IN
DIRECT CONTRADICTION TO THE AGREEMENT REACHED BY THE
PRESIDENT AND PRESIDENT POVEDA DURING THEIR BILATERAL AT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 02104 011758Z

THE PANAMA CANAL TREATY SIGNING CEREMONY THAT THE USG WOULD
CEASE TO OPPOSE IDB SOFT LOANS TO ECUADOR, AND CONTRARY
TO THE SPIRIT OF MAXIMUM COOPERATION THAT HAD BEEN
DEVELOPING BETWEEN THE USG AND GOE. HE SAID IT SEEMED TO
BE A RETURN TO THE ATTITUDE DISPLAYED IN THE USG VETO OF
THE SALE OF KFIR AIRCRAFT BY ISRAEL TO ECUADOR, WHICH HAD
RESULTED IN THE GOE HAVING TO EXPEND US\$100 MILLION

MORE ON FRENCH MIRAGES (SINCE THE USG WOULD NOT SELL THE GOE AIRCRAFT CAPABLE OF DEFENSIVELY COUNTERING THE THREAT OF PERU'S MACH 2 SOVIET SU-22 FIGHTER-BOMBERS), AND HAD THUS DIVERTED NEEDED FUNDS FROM DEVELOPMENT. HE SAID THE GOE AT TIMES HAS GREAT DIFFICULTY IN RECONCILING USG PRONOUNCEMENTS THAT WE WANT TO HELP LATIN AMERICAN LDC'S DEVELOP WITH USG ACTIONS SUCH AS THESE.

3. THE CHARGE RESPONDED THAT HE WOULD CERTAINLY CONVEY THE GOE'S CONCERN TO THE DEPARTMENT. HE CLARIFIED THAT HIS UNDERSTANDING WAS THAT THE PRESIDENT'S AGREEMENT TO PRESIDENT POVEDA WAS NOT A BLANKET ENDORSEMENT OF ALL GOE APPLICATIONS OF IDB FSO LOANS, BUT AN AGREEMENT TO NO LONGER OPPOSE THOSE FSO LOANS TO ECUADOR ON THE GROUNDS THAT ECUADOR DOES NOT NEED CONCESSIONAL FINANCING, AND INSTEAD TO CONSIDER EACH ECUADOREAN LOAN APPLICATION ON ITS MERITS. HE SAID HE FELT SURE THAT ANY POSSIBLE USG QUESTIONING OF THE LOAN MUST ARISE FROM DOUBTS THAT IT MEETS THE CRITERIA FOR CONCESSIONAL FINANCING, RATHER THAN FROM A GENERAL POSITION AGAINST CONCESSIONAL FINANCING FOR ECUADOR.

4. AYALA STATED THAT NO OTHER COUNTRY OBJECTS TO THE LOAN AND THAT THE GOE CONSIDERS THE LINKAGE OF SMALL RURAL SETTLEMENTS BY TELEPHONE INTO THE NATION TO BE OF HIGH DEVELOPMENTAL PRIORITY. HE SAID THE INTENT WAS NOT TO PLACE A TELEPHONE IN EACH FARMER'S HOME BUT TO HAVE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 02104 011758Z

TELEPHONE CENTERS WHERE EMERGENCY MEDICAL CALLS AND OTHER HUMANITARIAN AND DEVELOPMENTAL NEEDS COULD BE COMMUNICATED. (REFER LOAN PROPOSAL 0080 AND IDB DOCUMENT PR-866-A, 14 MARCH 1978 FOR DETAILS.) AYALA ADDED, HOWEVER, THAT HE UNDERSTOOD THAT THE USG OPPOSITION WAS NOT ON THE BASIS OF THE SOCIAL PRIORITY OF THE PROJECT BUT EVIDENTLY ON THE ABILITY OF THE GOE TO ADMINISTER THE LOAN AND ON ECUADOR'S ECONOMIC CONDITION. HE SAID THAT THE POINT OF THE AGREEMENT BETWEEN PRESIDENT POVEDA AND THE PRESIDENT WAS TO END USG OPPOSITION TO LOANS TO ECUADOR ON THE FALSE PREMISE THAT ECUADOR WAS A RICH COUNTRY, AND HE DESCRIBED ECUADOREAN ECONOMIC AND DEVELOPMENTAL PROBLEMS THAT MAKE IT ONE OF THE POOREST LATIN AMERICAN COUNTRIES. AYALA ALSO REJECTED ANY ALLEGATION THAT IETEL WAS INCAPABLE OF PROPERLY ADMINISTERING THE LOAN.

5. THE CHARGE REPEATED THAT HE WAS UNAWARE THAT THE USG HAD OPPOSED THE LOAN, DID NOT KNOW FOR WHAT REASONS, AND THAT HE WOULD INFORM WASHINGTON OF THE GOE'S CONCERNS. AYALA SAID HE UNDERSTOOD THAT A FINAL DECISION WOULD BE MADE BY THE IDB ON WEDNESDAY, APRIL 5. HE ASKED THAT THE USG PLEASE RECONSIDER ITS POSITION PRIOR TO THAT DATE.

6. COMMENT: MISSION QUESTIONED (AS PER REFTEL B) THE PRIORITY OF THE RURAL TELEPHONE PROJECT (AND STILL DOES) BUT HAS NEVER RECOMMENDED A "NO" VOTE AND NOW BELIEVES THAT IT IS TOO LATE TO RAISE THE ISSUE OF PRIORITY. IN LIGHT OF THE GOE'S EXPLANATION OF THE HUMANITARIAN AND DEVELOPMENTAL PURPOSES OF THE PROPOSED TELEPHONE NETWORK, AND THE FACT THAT IT WOULD SERVICE RURAL AREAS WHERE THE POOREST OF ECUADOR'S POOR ARE LOCATED, THE MISSION SUPPORTS A "YES" VOTE BY THE USG ON THIS LOAN APPLICATION.
CORR

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, VOTING, TELEPHONES, DEVELOPMENT LOANS, RURAL AREAS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978QUITO02104
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780142-0585
Format: TEL
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197804103/aaaadjwb.tel
Line Count: 126
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2a6935a6-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 QUITO 4480, 77 QUITO 7421
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2826338
Secure: OPEN
Status: NATIVE
Subject: GOE APPLICATION FOR IDB FSO LOAN FOR RURAL TELEPHONE DEVELOPMENT
TAGS: EAID, EC, US, IDB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2a6935a6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014